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SIPDIS

EEB FOR A/S SULLIVAN

SPECIAL ENVOY FOR EURASIAN ENERGY GRAY

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E.O. 12958: DECL: 11/03/2018

TAGS: [ENRG](#) [EPET](#) [TU](#)

SUBJECT: MINISTER SIMSEK WELCOMES US OFFER OF FINANCIAL SUPPORT TO TURKEY'S ENERGY SECTOR

REF: ISTANBUL 553

Classified By: AMBASSADOR WILSON FOR REASONS 1.4 (B) AND (D)

¶11. (SBU) Acting Deputy Secretary of Energy Jeffrey Kupfer led a high-level delegation including Overseas Private Investment Corporation (OPIC) President Robert Mosbacher, Trade and Development Agency Director Larry Walther, Export-Import Bank Chief Operation Officer John McAdams, and Special Envoy for Eurasian Energy C. Boyden Gray to Istanbul for discussions October 30-31 with senior Government of Turkey (GOT) officials as well as U.S. and Turkish companies and representatives from the IFC and EBRD (septels) on the margins of the World Economic Forum.

¶12. (C) Deputy Secretary Kupfer told Treasury Minister Simsek that October 30 discussions with the Prime Minister, Foreign Minister and Energy Minister had been productive. He noted the significance of the high-level interagency composition of the delegation and assured Simsek of on-going USG support for Turkey's efforts to diversify energy sources and help develop the Southern Corridor. Kupfer and OPIC President Mosbacher described U.S. ideas for a multilateral financing mechanism that could facilitate investment in Turkey's energy sector.

¶13. (C) Simsek welcomed this initiative and USG efforts to support energy sector investment. He acknowledged the global financial crisis would result in sub-optimal growth for the immediate future, but contended demand would rebound in the medium term. Turkey will need a huge amount of investment, in the region of \$100 to 125 billion just to meet expected demand, he explained. According to Simsek 70 percent of Turkey's electricity is generated using imported fuel, making diversification essential. Simsek explained the GOT is working on diversification, privatization, efficiency gains deregulation, including with respect to prices. These pieces could add up to a good package, but Turkey needs a coordinated approach and more involvement from the U.S. side, particularly to raise awareness among potential investors.

¶14. (C) Simsek noted the GOT has been talking about electricity distribution privatization since the 1980's but has failed to deliver a workable program. He argued the current government is committed to get electricity distribution out of state hands and also to divest generation assets. Turkey's biggest problem now is financing, so the U.S. initiative are especially welcome.

15. (C) Simsek noted a variety of IFI programs focused all or in part on the Turkish energy sector including both World Bank and European Investment Bank programs. However, he remains concerned by the current low appetite for privatization. He complained about the lack of U.S. participation in Turkey's recent nuclear tender. Mosbacher and McAdams described issues related to financing structures and Exim COO guidelines. Kupfer said that the firms involved felt the lack of certain regulatory structures could potentially expose them to liability and/or licensing concerns. This uncertainty posed problems for the U.S. as well as major European companies who declined to bid, Kupfer argued. The U.S. side suggested there could be U.S. technical assistance for Turkey's nuclear tendering effort, which Simsek (and separately Energy Minister Guler) agreed.

16. (U) The delegation cleared this message.
WIENER